If by consistent effort along these lines selling prices can be kept reasonably close to necessary labor (and interest) costs, it makes little difference (so far as we are concerned here) what the general level of incomes is. Let us make sure, as Dr. Mitchell urges, that the different rates of remuneration are in proper relation to one another; and then be content to have the general level of incomes established wherever monetary considerations prescribe. Some attention the money wage must always receive; but it will tend increasingly to become the small end of a very big problem.

The Equilibrium Wage

By T. N. CARVER
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I KNOW of only one approximately satisfactory price for any commodity and that is a price which will tempt producers to produce as large a product as buyers are willing to buy at the price, or which will tempt buyers to buy as much as producers are willing to produce at the price. If the price is sufficient to call forth an adequate product, producers must find it relatively satisfactory. If buyers are willing to buy the whole product, they must find the price relatively satisfactory.

Of course no price is ever absolutely satisfactory to anybody. Sellers would always be better satisfied, or more nearly satisfied, if the price were different—generally if it were higher than that which they are getting. Buyers would be more nearly satisfied with a different price—generally a lower price than that which they are paying. We may as well dismiss at once, therefore, the possibility of ever finding an absolutely satisfactory price for anything. Except in cases of siege, famine or abnormal scarcity when supply cannot increase to balance demand, we must be content with a price which producers find satisfactory enough to induce them to keep on producing and which buyers find satisfactory enough to induce them to keep on buying, so that there is a balance maintained between production and consumption.

With one important exception, I should apply the same test to the determination of a satisfactory price for any economic service, whether it be that of the laborer, the saver or the business man. If the incomes of business men are sufficient to attract into business as many men of high quality as the industrial conditions can support, business men must find their incomes relatively satisfactory; that is, as satisfactory, all things considered, as those of alternative occupations. We are assuming, of course, that violence and fraud are eliminated and that the incomes are secured as the result of service rendered. There is no more reason, however, for insisting upon this assumption in the case of business men than in the case of savers or laborers. One class is no more likely than any other to make use of violence and fraud. As a matter of actual history, at least in recent years, business men have not made larger use of these methods than have laborers.

If interest rates are high enough to induce people to save as much as can be invested in productive industry without loss to the investors, interest rates are relatively satisfactory; that is, savers find them satisfactory enough to induce them to keep on saving. Borrowers and investors find them

satisfactory enough to induce them to keep on borrowing and investing and the balance is maintained.

With the one exception suggested above, wages are satisfactory in any occupation when they are high enough to induce as many laborers to seek that occupation as employers are willing to employ at those wages.

The exception referred to above occurs when there is a gross oversupply of unskilled labor. When that condition exists, very low wages will be sufficient to attract as many unskilled laborers as can be used. If those low wages are not high enough to enable the unskilled laborer to live according to a standard which is considered decent for a civilized country, they are not satisfactory to the country, even though sufficient numbers of unskilled laborers are willing to accept them.

A minimum wage must then be adopted and enforced. It should be based upon the cost of living according to the lowest standard of living that is consistent with a dignified and civilized life. It has no reason for its existence except where this minimum standard of civilized life is threatened. When this minimum standard is threatened, the minimum wage must be enforced without fear or favor, declaring every self-dependent person who cannot earn it to be an object of charity and treating him as such.

Minimum Wage the Only Wage Related to Cost of Living

The only wage, therefore, that needs to be based upon the cost of living, or pay any attention to the cost of living, is the minimum wage below which we do not consider it decent to allow any one to live. There is no reason for inquiring into the cost of living at all in trying to establish incomes for skilled laborers, business or professional men. Here the equilibrium wage is the wage that most nearly approximates that which is satisfactory. There is, of course, the possibility that some skilled or learned occupation, or individuals following a skilled or learned occupation, might not be able to get the minimum wage as above defined. In such cases the minimum wage should be enforced in the interest of decency and civilization. The effect of this would be to force these unfortunate individuals either into the acceptance of charity or into some other occupation where they could earn a decent living.

To attempt to enforce a wage higher than the equilibrium wage in any occupation where the earnings are above the decent minimum will produce at least one unfortunate result. The wage would then be so high as to attract into that well-paid occupation more than could be employed. Large numbers of laborers would justly feel aggrieved at being unable to get into so attractive an occupation and compelled to find employment in one that was less attractive. If all the well-paid and attractive occupations become similarly overcrowded—in other words, if the wages are so high in all occupations above the unskilled trades as to attract more than can get in or find employment—it means necessarily and arithmetically that the surplus must be crowded downward toward the unskilled occupations.

So far as the present problem is concerned, it is not necessary to go very far into the question as to what determines the equilibrium wage in any occupation. It is rather obvious that the demand for labor in any productive occupation in some way depends upon the productivity of labor. If labor is very scarce and hard to find, so that each individual is badly needed, the productivity of each individual will be high. You can say

of such a trade, "A few more laborers, a great deal more product—a few less laborers, a great deal less product." In technical jargon, the marginal productivity is high. If there are so many crowding into the occupation that you can say, "No more are needed," or "A few more laborers, very little more product,—a few less laborers, very little less product," it is not likely that any employer will offer high wages in such an occupation. The marginal productivity of labor is low.

No wage board, however, would need to waste any time trying to figure out the marginal productivity of labor. The equilibrium of demand and supply would be a better indication than any figures that any body of experts would be likely to find. All they would need to do would be to see whether the wages were sufficient to attract into the occupation as many workers with adequate skill and training as employers were willing to employ.

I have read most of the things that have been written in recent years to becloud this issue. It would be a tedious and rather profitless task to go over their arguments in detail. I have decided that the most effective refutation is to state the essential principle in as definite and dogmatic form as possible, leaving readers to make up their own minds as to the relative reasonableness of the contending theories.

Factors Determining Real Wages

By ERNEST MINOR PATTERSON
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ECONOMIC theorizing is by no means confined to professional economists. So-called practical men of necessity have their theories on economic questions, or they would not be able to direct the enterprises which they lead, or to formulate policies in connection with them. Both business men and economists have suffered from two weaknesses in their theorizing, and several of the articles before us for discussion in this issue of *The Annals* indicate what these difficulties are.

One is the desire to find an explanation of economic happenings in as broad principles as possible. Physicists, chemists, astronomers and others are constantly seeking for all-inclusive generalizations such as the law of gravitation, the periodic law, the law of inertia. Such generalizations are extremely valuable, and with their aid much more progress can be made than without it. If similar laws could be found in the social sciences, they would be equally helpful. There is much reason, however, to doubt whether such laws can be formulated, at least with our present knowledge. The field of social science is one in which there are so many forces of such unknown or immeasurable strength that it is probable that very few broad generalizations can as yet be made. Certain it is that not many of the so-called laws in economics have been able to stand the test of current criticism.

One of the reasons for this is to be found in the second of the weaknesses referred to, which is a failure to adapt economic theorizing to changing conditions. Economics must build on certain assumptions taken from other sciences. In the last fifty or seventy-five years these other sciences, notably biology and psychology, have been so revolutionized that the bases on which economists built have been strongly shaken, if not entirely swept